

Fiscal Note

Fiscal Services Division



HF 648 – Medicaid Pooled Trust (LSB1066HV)

Analyst: Jess Benson (Phone: (515) 281-4611) (jess.benson@legis.iowa.gov)

Fiscal Note Version – New

Description

House File 648 eliminates the restrictions on how funds can be disbursed from a Medicaid Special Needs Trust and sets new standards that are no more restrictive than the federal law. Federal law does not currently limit the use of funds from these trusts.

Background

Special Needs Trusts are used to hold assets that may otherwise disqualify certain groups of individuals from receiving Medicaid coverage. Current law allows funds in a Special Needs Trust to be used for administrative expenses, special needs of the disabled person attributable to the disability, medical care or services that will otherwise be paid by Medicaid, or reimbursement to the State for Medicaid paid on the behalf of the beneficiary. Upon the death of a beneficiary, assets remaining in the Trust are used to reimburse Medicaid for their cost of care.

Assumptions

- As of February, there were 148 Special Needs Trusts with average assets of \$122,442 (a total of \$18.0 million in total assets).
- The average annual Medicaid cost for disabled individuals is approximately \$23,000; \$10,300 State share.
- Since 2012, a total of \$402,771 has been collected from eight Special Needs Trusts upon the death of the disabled individual that established the trust, an average of \$50,346.
- The State is required to return the federal match when they collect funds from the Special Needs Trust.
- With the law change, individuals could possibly spend money from the Trust on anything from personal computers to vehicles, likely leaving fewer funds for the State to recoup upon their death.
- The Iowa Federal Assistance Percentage (FMAP) rate for FY 2016 is 44.93%.

Fiscal Impact

The fiscal impact for **HF 648** cannot be determined due to the following factors:

- The change in the law may encourage new individuals to sign up for Special Needs Trusts costing the State an average of \$10,300 for each individual, but it is difficult to estimate the new demand.
- No estimate is available for the new spending that may occur from the Special Needs Trusts that are not currently allowed, but any new spending allowed by the bill will reduce the amount the State will collect upon the death of a beneficiary. Given the range of expenses permitted, the amount collected could be reduced significantly.
- With only a few years of data, it is difficult to estimate the number of deaths annually and the assets of each Special Needs Trust the State may collect upon an individual's death.

Given all of the factors, it is likely this Bill will have a significant fiscal impact and will likely increase the cost to the State over time.

Sources

Department of Human Services
LSA Analysis

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
